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UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

LEARN WHAT YOU NEED TO KNOW TO TAKE ADVANTAGE OF FLEXIBLE FEDERAL STUDENT LOAN PAYMENTS INCLUDING POSSIBLY REDUCING THE TOTAL PAID

(For current information and details answering all your questions about federal student loans, go to www.nslds.ed.gov and www.studentloans.gov. You will also find a calculator program at these sites to help you see which payment plans and what programs you can use might suit you best.)

You Need to Know What Questions to Ask Your Loan Servicer to know you are choosing the payment plan available and best for you and taking advantage of incentives to reduce the total you pay back; picking which loans to Consolidate; how to Obtain a Deferment from Starting Payments; what to do if you have an Economic Hardship; and other questions you will have during your payment period.

Where to Start? With going through the Exit Counseling Program online at the www.studentloans.gov website. Do not ignore the letter you will be sent by your school about completing the Exit Counseling. No one will check to see that you do it. You will know when you are lost or are not taking advantages of programs your friends are while paying back your loans. You likely will already have lost money and will have to try to find a way to correct any choices you can that are not want you want.

How do I find my Loan Servicer to set up my payments? Your loan servicer will be assigned through the process you will go through at the www.studentloans.gov; the www.nslds.ed.gov is the National Data Base of Federal Student Loans. Both websites have some of the same features; both are actually easy to find answers to specific question – if you know the questions to ask. **Read this summary so you know those questions and the options that you might be interested in pursuing**; your loan servicer will not know all your circumstances and some choices that would best fit you. **This summary provides the highlights of things you want to consider**. At www.odos.illinois.edu/sls and at the Financial Aid website, as well as other departments at the University there is a power point presentation or a link to one that goes into more details. It will still not answer all your questions. The two websites listed above are your key to find answers to specific questions you have about your situation. Your loan servicer should be able to clarify any other questions you have. If not, contact the Department of Education or the Consumer Financial Protection Bureau.

PAYMENTS START WHEN? Once you are no longer attending school at least half time, you have **a 6 month grace period** before you must start making payments on your student loans. If you have student loans that require interest payments while in school (Unsubsidized Loans) you must make those payments during the grace period.

What if f I Have I Have No Job or Little Income after the Grace Period: Unemployment or inability to find full time work are two examples of Economic Hardship. These are two reasons to seek a **deferment**. You have to apply periodically but **could be deferred from starting payments for up to three years.** Keep track of diligent efforts to obtain employment in your field and later you may need to expand your search to positions for which you qualify which would at least eliminate your total lack of income. Once you have a job, you will be unlikely to receive a deferment. You will also not likely receive a deferment for the full three years with just one request. Be sure to apply before the payments are due or you will become responsible for payments at any plan you have set up or if none, the 10 Year Standard Payment Plan, until the Deferment is approved. If you forget to seek a deferment when the date passes, after 270 days without payment, you will be in default. You will also have accrued late fees and other penalties.

What if I have some income but not enough to pay the Standard Payment or it would be a real hardship? You are presumed to have an economic hardship if your payments under one of the income based repayment options is less than the monthly standard payment you would have to make to pay off your loans in 10 years. Your payment under an income payment plan can be zero.

If you become temporarily or permanently disabled, apply for and receive a temporary or permanent deferment.

HOW TO FIGURE OUT WHAT PAYMENT PLAN YOU CAN SELECT AND IF THERE ARE PROGRAMS THAT MIGHT LIMIT THE TIME YOU HAVE TO MAKE PAYMENTS.

Find out What Loans You Have and the Type of Loans. Go to the websites noted above, in particular the National Student Loan database, and get a list of the types of loans you have, the amounts of the loans and whether interest is deferred until your payment starts (subsidized loans) or you should have been paying interest while in school and other periods of deferment. See the Chart below for a summary of the available income based repayment plans.

If you have Perkins Teacher Loans or other Loans with Special Payback Provisions based on the Career you are entering, check the details of these plans. If you do not obtain employment that meets the criteria for the benefits of these special programs, you will want to consolidate these loans with your other loans if possible. Otherwise, you may want to keep these loans separate so the benefits are easy to apply. One criteria for getting the benefits from some of these loans is to seek a deferment based on seeking to pay off the loan using this plan. Discuss how this would work with your loan servicer. To obtain some of the benefits, you must have your payments deferred. Payments that could be forgiven that you make will not be refunded.

Why Consolidate Your Loans? Combine all your loans into one payment that has a blended rate of interest based on the different interest rates applicable to each loan. This allows you to have one master account, make one payment on all the loans, and seek deferment or application of the Public Service Forgiveness Loan Program or other payment options on all your loans.

What If I Return to School at Least Half-Time? Apply for a deferment based on your status as a student again and the loan payments, except interest payments that are not subsidized, will stop for the period of the deferment. State in your application the length of time you expect to be attending school on at least a half-time basis again**.** If you had already started to pay back prior loans, these payments will end during the deferment. (Interest that was not subsidized continues to have to be paid as it did when you first took out the loan. When you are once again out of school for the 6 month grace period, consolidate any new loans with the old loans. If for some reason you need an additional deferment because your education is taking longer than your original deferment, apply for the additional time. These deferment requests go to your loan servicer.

What If you are in the Active Military or Peace Corp or a Resident in a Medical or Dental Program or a Similar Position? You need to apply for a deferment, sometimes from your school rather than through the loan servicer but payments will be deferred if you are working in these positions as well as working in a residency program. Check to see if what you think you are working in a similar program; it may also be a reason for deferment. If you qualify for a deferment by working in one of these programs, there are longer grace periods after some of these programs.

What If I Really Cannot Make Payments and I Do Not Qualify for a Deferment? You can apply for one more year of Forbearance. The Loan Servicer will look at whether you should not begin payments using one of the income based plans.

What If I fail to make payments when due. If you do not make payments when they are due, there will be interest and potential late fees. If you fail to make payments when your loans are in active payment status for 270 days, you will be declared to be in default. All Loans become immediately due; your case is turned over to a collection agency that does not care the reason for the loans and will use every tool they can to collect the money from you. Avoid this if at all possible. Generally, to get out of Default, you will have to refinance the Entire Amount of the Loans with a private lender at probably a higher interest rate. Since you can get up to 20 or 25 years under some Income Based Payment Plans that will allow you to pay a percent of your "discretionary income", e.g. 10% to 15% of the money left after deducting the amount based on your family size deemed necessary for living expenses, it is possible you are better off to start getting the loans paid off under one of these programs if you qualify, even though you think you will be able to aggressively pay these off early and close to the Standard Payment Plan. If a catastrophe happens, you can have your income evaluated and the payment established based on your income again.

HOW MUCH DO I PAY? The standard student loan payment is calculated like a car loan payment or house payment. You pay off enough each month for student loans to have the entire amount plus interest paid off in 10 years. You start off paying mostly interest and as the principal decreases, eventually are paying off mostly principal.

Income Based Plans? For many students who will start off not making nearly as much as they will after 5 or more years of experience, they should consider the Income Based Repayment programs attached as a Summary to the last page. **The most you will pay under in any one month is the standard student loan payment. If you do not combing these income based plans, with another loan amount plan, since you can pay 20 to 25 years instead of 10 years, you could pay more in interest. Use the repayment calculator at the studentloan.gov website to see the difference.**

PROGRAMS THAT CAN FURTHER REDUCE OR ELIMINATE YOUR PAYMENTS:

Public Service Loan Forgiveness Program. If you work for a government or non-profit organization and make 120 payments in the amount required by your payment plan, after the 120 payments, your remaining balance is cancelled. Only if you are using an income based payment plan will there be any money left to be paid. Also, if you plan to have the remaining loan amount cancelled after the 120 payments, why make an extra payment to reduce the total amount you owe? The 120 payments do not need to be consecutively. Be sure to have the form completed by the employer for each period of employment you are claiming payments, the employer may merge, close, sell or have records disappear and you have to produce at the time you are showing the 120 payments, proof of all the payments. You can file the proof with the loan service provider but do not trust them to keep your records. Since many students only have standard student loans, this is the program that should benefit more students than other programs. **This Program is intended to incentivize and make college at any school affordable for careers that the government recognizes are important to the economy but with college costs going up, were not going to make sense to pursue without an incentive.** It is worth checking the broad definition of Public Service Work so you do not miss out on this program – some careers, even though not with a public non-profit (501(c)(3) or government organization will still qualify if they relate to public service. When making the payments you must be employed full time and payments must be timely without any default periods.

Teacher Loan Forgiveness Program – even though your loans were standard Federal Student Loans, you may qualify for up to $17,500 in reduction in your loans if you work in as a teacher for at least 5 complete and consecutive years in a school that was designated as a low income school for at least one of those years. There are other special details and the amount cancelled depends on several factors.

Teacher Perkins Loan Cancellation Program - If you were able to borrow using a Teacher Perkins Loan, work 5 complete years as a teacher in a elementary of secondary low-income school, or one designated that for at least one of the years you taught there, you have a percent up to 100% cancelled of this loan over 5 years.

The Teacher Perkins Loan is just one example of some special loan programs that are available for some careers. Check to see if there is a loan program for the field you plan to work in when you are authorized to take out a loan by the financial aid office. That office does not know what your unique plans are and will not offer these specific loans unless you tell them or them match your major with the program.

Can I Make Extra Payments to Decrease the Time It Takes to Pay and Reduces My Total Interest Payments?

YOU CAN PAY OFF YOUR STUDENT LOANS REGARDLESS OF WHAT EMPLOYMENT YOU HAVE AND YOUR ECONOMIC CIRCUMSTANCES IF YOU WILL JUST PERSIST. 20 TO 25 YEARS TO PAY OFF THE LOANS MAY SEEM LIKE FOREVER, AND WE HOPE YOU CAN FINISH PAYING THESE SOONER, BUT THE INTEREST RATE ON THESE IS MUCH LOWER THAN CREDIT CARDS AND CAN BE LOWER THAN A HOME MORTGAGE INTEREST DEPENDING ON THE MARKET, AND CERTAINLY BETTER THAN OBTAINING AN EMERGENCY LOAN OR PAYING LATE FEES AND PENALTIES FOR PAYMENTS YOU HAVE TO POSTPONE.

In other words, before you worry about the length of time you are making payments on these student loans, be sure to build up an emergency fund so you do not have to pay higher rates on something else. Be sure you are saving for your future in a steady manner and taking advantage of the compounding effect of payments into a plan now, which earns potentially more money on the investments than the cost of the loan. At that point, consider interest by paying the student loans off early; **remember, under some programs combined with an income based payment plan, you can often be in a position where the payments will end before the loans are paid in full so these extra payments may be money that would not be paid at all.** USE THAT CALCULATOR TO SEE WHAT YOUR OPTIONS ARE BEFORE MAKING EARLY PAYMENTS.

Be sure to direct early payments to principal or the payments will just be treated as a regular monthly payment towards interest and principal and not just principal. Paying off principal will reduce the amount of interest you pay as then loan payments will be adjusted to have the interest apply only on the lower amount of principal.

Repay Your Direct Loans and Federal Family Education Loan (FFEL) Program Loans

Overview of Direct Loan and FFEL Program Repayment Plans			
Repayment Plan	**Eligible Loans**	**Monthly Payment and Time Frame**	**Eligibility and Other Information**
Standard Repayment Plan	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS loans • all *Consolidation* Loans (Direct or FFEL)	Payments are a fixed amount. Up to 10 years (up to 30 years for Consolidation Loans).	All borrowers are eligible for this plan. You'll pay less over time than under other plans.
Graduated Repayment Plan	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS loans • all Consolidation Loans (Direct or FFEL)	Payments are lower at first and then increase, usually every two years. Up to 10 years (up to 30 years for Consolidation Loans).	All borrowers are eligible for this plan. You'll pay more over time than under the 10-year Standard Plan.
Extended Repayment Plan	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS loans • all Consolidation Loans (Direct or FFEL)	Payments may be fixed or graduated. Up to 25 years.	• If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans. • If you're a FFEL borrower, you must have more than $30,000 in outstanding FFEL Program loans. • Your monthly payments will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan. • You'll pay more over time than under the 10-year Standard Plan.
Revised Pay As You Earn Repayment Plan (REPAYE)	• Direct Subsidized and Unsubsidized Loans • Direct PLUS loans made to students • Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents	• Your monthly payments will be 10 percent of *discretionary income*. • Payments are recalculated each year and are based on your updated income and family size. • If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). • Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.	• Any Direct Loan borrower with an eligible loan type may choose this plan. • Your monthly payment can be more than the 10-year Standard Plan amount. • You may have to pay income tax on any amount that is forgiven. • Good option for those seeking Public Service *Loan Forgiveness* (PSLF).
Pay As You Earn Repayment Plan (PAYE)	• Direct Subsidized and Unsubsidized Loans • Direct PLUS loans made to students	• Your maximum monthly payments will be 10 percent of discretionary income. • Payments are recalculated each year and are based on your updated income and family size. • If you're married, your spouse's income or loan debt will be	• You must be a *new borrower* on or after Oct. 1, 2007, and must have received a *disbursement* of a Direct Loan on or after Oct. 1, 2011. • You must have a high debt relative to your income.

	• Direct Consolidation Loans that do not include (Direct or FFEL) PLUS loans made to parents	considered only if you file a joint tax return. • Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years.	• Your monthly payment will never be more than the 10-year Standard Plan amount. • You'll pay more over time than under the 10-year Standard Plan. • You may have to pay income tax on any amount that is forgiven. • Good option for those seeking Public Service Loan Forgiveness (PSLF).
Income-Based Repayment Plan (IBR)	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS loans made to students • Consolidation Loans (Direct or FFEL) that do not include Direct or FFEL PLUS loans made to parents	• Your monthly payments will be 10 or 15 percent of discretionary income. • Payments are recalculated each year and are based on your updated income and family size. • If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return. • Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years. • You may have to pay income tax on any amount that is forgiven.	• You must have a high debt relative to your income. • Your monthly payment will never be more than the 10-year Standard Plan amount. • You'll pay more over time than under the 10-year Standard Plan. • Good option for those seeking Public Service Loan Forgiveness (PSLF).
Income-Contingent Repayment Plan (ICR)	• Direct Subsidized and Unsubsidized Loans • Direct PLUS Loans made to students • Direct Consolidation Loans	• Your monthly payment will be the lesser of 20 percent of discretionary income, or the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income. • Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans. • If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse. • Any outstanding balance will be forgiven if you haven't repaid your loan in full after 25 years.	• Any Direct Loan borrower with an eligible loan type may choose this plan. • Your monthly payment can be more than the 10-year Standard Plan amount. • You may have to pay income tax on the amount that is forgiven. • Good option for those seeking Public Service Loan Forgiveness (PSLF). • Parent borrowers can access this plan by consolidating their Parent PLUS Loans into a *Direct Consolidation Loan*.
Income-Sensitive Repayment Plan	• Subsidized and Unsubsidized Federal Stafford Loans • FFEL PLUS Loans • FFEL Consolidation Loans	Your monthly payment is based on annual income. Up to 15 years.	• You'll pay more over time than under the 10-year Standard Plan. • The formula for determining the monthly payment amount can vary from *lender* to lender.